

MONTANA LEGISLATIVE HISTORY

Chapter 540 19 77

Bill H _____ S 44 Original bill & history C

H. Committee on Taxation

Hearing Date(s) Mar 09 ✓ C

Apr 08 ✓ C

_____ C

_____ C

Date Out Apr 08 ✓ C

S. Committee on Taxation

Hearing Date(s) Jan 13 ✓ C

Jan 14 ✓ C

Feb 02 ✓ C

_____ C

Feb 02 ✓ C

Did this bill originate in an interim committee? Yes No

Committee _____

Report _____

1 *Senate* BILL NO. *44*
 2 INTRODUCED BY *Manning, Mathew Eric Aber*
 3 *(Coal Tax Oversight Committee Bill)*

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO BRING THE COAL TAX
 5 DISTRIBUTION FORMULA INTO COMPLIANCE WITH THE MONTANA
 6 CONSTITUTION AS AMENDED IN 1976 BY CREATING A TRUST FUND;
 7 REVISING THE PERCENTAGES DISTRIBUTED TO LOCAL GOVERNMENTS
 8 AND STATE PROGRAMS AND THE PROGRAMS FUNDED THEREUNDER;
 9 AMENDING SECTIONS 50-1803, 50-1806, 82-3710, AND 84-1319,
 10 R.C.M. 1947."

11
 12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13 Section 1. Section 84-1319, R.C.M. 1947, is amended to
 14 read as follows:

15 "84-1319. Disposal of ~~license or~~ severance taxes.
 16 ~~License or severance~~ Severance taxes collected under the
 17 provisions of this chapter ~~or such sections as may enact a~~
 18 ~~severance tax on coal in 1975~~ are allocated as follows:

19 (1) ~~To the county for such purposes as the governing~~
 20 ~~body of that county may determine from which coal was mined~~
 21 ~~for each calendar year prior to January 1, 1980, three cents~~
 22 ~~{3¢} per ton or four per cent {4%} of the severance tax paid~~
 23 ~~on the coal mined in that county, whichever is higher, and~~
 24 ~~for each calendar year following December 31, 1979, three~~
 25 ~~cents {3¢} per ton or three and one-half per cent {3 1/2%}~~

1 ~~of the severance tax paid on the coal mined in that county,~~
 2 ~~whichever is higher. To the trust fund created by Article~~
 3 ~~IX, section 5, of the Montana constitution, 25% of total~~
 4 ~~collections a year. After December 31, 1979, 50% of coal~~
 5 ~~severance tax collections are allocated to this trust fund.~~
 6 ~~The trust fund moneys shall be deposited in an account in~~
 7 ~~the trust and legacy fund and invested by the board of~~
 8 ~~investments as provided by law.~~

9 ~~(2) Coal severance tax collections remaining after~~
 10 ~~allocation to the trust fund under subsection (1) are~~
 11 ~~allocated in the following percentages of the remaining~~
 12 ~~balance:~~

13 ~~{2}(a) Two and one-half per cent {2 1/2%} of total~~
 14 ~~collections per year until December 31, 1979, and thereafter~~
 15 ~~four per cent {4%} of total collections per year 1% to the~~
 16 ~~earmarked revenue fund, to the credit of the alternative~~
 17 ~~energy research development and demonstration account;~~

18 ~~{3}(b) Twenty-seven and one-half per cent {27 1/2%}~~
 19 ~~27 1/2% of total collections per year until July 1, 1979,~~
 20 ~~and thereafter thirty-five per cent {35%}, 37 1/2% to the~~
 21 ~~earmarked revenue fund to the credit of the local impact and~~
 22 ~~education trust fund account;~~

23 ~~{4}(c) For for each of the four {4} 2 fiscal years~~
 24 ~~following the effective date of this act June 30, 1977, ten~~
 25 ~~per cent {10%} of total collections per year 13% to the~~

INTRODUCED BILL

1 earmarked revenue fund to the credit of the coal area
2 highway improvement account.;

3 ~~{5}{d} Ten--per--cent--{10%}--of--total--collections--per~~
4 ~~year~~ to the earmarked revenue fund, for state equalization
5 aid to public schools of the state.;

6 ~~{6}{e} For--the--period--ending--December--31--1979,--one--per~~
7 ~~cent--{1%}--of--total--collections--per--year~~ 2% to the earmarked
8 revenue fund, to the credit of the county land planning
9 account.;

10 ~~{7}{f} Two--and--one-half--per--cent--{2 1/2%}--of--total~~
11 ~~collections--per--year~~ to the sinking fund, to the credit of
12 the renewable resource development bond account.;

13 ~~{8}{g} Two--and--one-half--per--cent--{2 1/2%}--of--total~~
14 ~~collections--per--year~~ through June 30, 1979, of which portion
15 one-half ~~{1/2}~~ shall be allocated to the earmarked revenue
16 fund, for the purpose of acquisition of sites and areas
17 described in section 62-304, subject to legislative
18 appropriations, and one-half ~~{1/2}~~ shall be allocated to the
19 trust and legacy fund, for the purpose of parks acquisition.
20 After June 30, 1979, ~~five-per-cent--{5%}--of--total--collections~~
21 ~~per--year~~ shall be allocated to the trust and legacy fund
22 for the purpose of parks acquisition. Income from the fund
23 established in this subsection ~~{g}~~ may be appropriated for
24 the acquisition of sites and areas described in section
25 62-304.

1 ~~{9}--To--the--earmarked--revenue--fund,--such--portions--of--the~~
2 ~~severance--tax--as--may--be--authorized--by--laws--enacted--in--1975.~~

3 ~~{10}{h} All~~ all other revenues from license or severance
4 taxes collected under the provisions of this chapter shall
5 be deposited to the credit of the general fund of the
6 state."

7 Section 2. Section 50-1803, R.C.M. 1947, is amended to
8 read as follows:

9 "50-1803. Coal area highway reconstruction program. (1)
10 There is appropriated to the department of highways for each
11 of the ~~four--{4}~~ fiscal years following the effective date of
12 ~~this--act~~ July 1, 1975, all the funds in the coal area
13 highway improvement account for carrying out the programs
14 authorized by this section. Any funds thus appropriated and
15 not expended before June 30, 1979, may, notwithstanding the
16 provisions of 79-1015.3, be expended or encumbered to carry
17 out this section until June 30, 1981.

18 (2) The department of highways, within the area
19 designated as the eastern Montana coal field economic growth
20 center as certified to the secretary of transportation by
21 the governor under section 143, Title 23, United States
22 Code, shall prepare a special construction program for the
23 reconstruction of deficient sections of these highways.

24 (3) The department of highways shall expedite the
25 planning and reconstruction program for projects on the

designated portions within this area by using funds allocated under this subsection and any federal funds that may be made available to match such funds; until federal funds are made available to match the funds allocated under this subsection the department of highways may, upon approval of the Montana state highway commission, expend such funds for planning and reconstruction projects with or without assurance from the federal government that unmatched state expenditures will be retroactively recognized for matching purposes.

(4) Funds allocated under this subsection shall not be used to match apportionments made for primary and secondary highways under the ~~Federal--Aid~~ Federal-Aid Highway Acts; however, nothing in this subsection should be construed to prohibit the implementation of projects otherwise funded by apportionments made under the ~~Federal--Aid~~ Federal-Aid Highway Acts; furthermore, planning and reconstruction projects may be financed in whole or in part by public and private funds provided such projects conform to the applicable standards, regulations, and procedures of the department of highways and the federal highway administration."

Section 3. Section 50-1806, R.C.M. 1947, is amended to read as follows:

"50-1806. Coal board -- general powers. The board may:

- (1) retain professional consultants and advisors;
- (2) adopt rules governing its proceedings;
- (3) consider applications for grants from the local impact and education trust fund account; and
- (4) award grants, subject to ~~section~~ 50-1807, not to exceed in any one year seven-elevenths ~~(7/11)~~, and after June 30, 1979, ~~three-sevenths-(3/7)~~ seven-fifteenths of the revenue paid into the local impact and education trust fund account, to local governmental units and state agencies to assist local governmental units in meeting the local impact of coal development by enabling them to adequately provide governmental services and facilities which are needed as a direct consequence of coal development. As used in the preceding sentence, "revenue paid" does not include interest income from the account reinvested in the account in trust for the public schools and the university system. Such grants shall be awarded on the basis of (a) need, (b) degree of severity of impact from the coal development, (c) availability of funds, and (d) degree of local effort in meeting these needs. The board shall formulate guidelines to evaluate degree of local effort, considering bond issues and millage levels. To the extent funds are needed to evaluate and plan for the impact needs caused by coal development, consideration of bond issues and millage levies may be waived."

1 Section 4. Section 82-3710, R.C.M. 1947, is amended to
2 read as follows:

3 "82-3710. County land planning assistance. (1) The
4 department of community affairs shall annually distribute to
5 ~~all the counties in the state~~ the funds in appropriated from
6 the county land planning account~~s~~ as follows: The funds
7 ~~shall be apportioned forty percent (40%) on the ratio of~~
8 ~~each county's portion of the total land area of the state~~
9 ~~and sixty percent (60%) on the ratio of each county's~~
10 ~~portion of the total population of the state.~~

11 (a) One-third of the funds shall be distributed to city
12 or county governing bodies or local planning agencies to
13 support local planning efforts according to criteria
14 established by the department. These criteria shall at least
15 relate to the magnitude of local planning needs, the
16 unavailability of local funds for planning programs, the
17 potential beneficial impact of the proposed planning
18 program, the willingness of local authorities to conduct and
19 continue a planning program, and the availability of the
20 technical and administrative skills necessary to carry out
21 the planning program.

22 (b) From two-thirds of the funds each county shall be
23 allotted \$3,000. After this disbursement has been made, 40%
24 of the balance in the account shall be apportioned to the
25 counties according to the ratio of each county's land area

1 to the total land area of the state, and 60% of the balance
2 shall be apportioned to the counties according to each
3 county's portion of the total population of the state. If a
4 multi-jurisdictional planning board has been established in
5 the county it may receive and expend part or all of the
6 funds allocated to that county.

7 (2) Counties, cities, or joint planning boards
8 receiving funds under this section shall use such funds for
9 the land planning purposes of making inventories of land
10 categories within their boundaries and of classifying lands
11 for taxation and planning programs.

12 (3) There is appropriated to the department of
13 community affairs for the purposes of this section all the
14 funds in the county land planning account for the biennium
15 ending June 30, 1977.

16 (4)(3) At the end of each fiscal year the every local
17 governing body of the affected county and planning agency
18 receiving funds under this section shall provide an
19 accounting of how the monies were spent in a form acceptable
20 to the department of community affairs. Any surplus of
21 prorated funds shall revert to the education trust fund
22 account."

-End-

SENATE BILL NO. 44

INTRODUCED BY MANNING, MATHERS, TOWE, ABER

(COAL TAX OVERSIGHT COMMITTEE BILL)

A BILL FOR AN ACT ENTITLED: "AN ACT TO BRING THE COAL TAX DISTRIBUTION FORMULA INTO COMPLIANCE WITH THE MONTANA CONSTITUTION AS AMENDED IN 1976 BY CREATING A TRUST FUND; REVISING THE PERCENTAGES DISTRIBUTED TO LOCAL GOVERNMENTS AND STATE PROGRAMS AND THE PROGRAMS FUNDED THEREUNDER; AMENDING SECTIONS 50-1803, 50-1804, 50-1806, 79-309, 82-3710, AND 84-1319, AND 89-3607, R.C.M. 1947."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 84-1319, R.C.M. 1947, is amended to read as follows:

"84-1319. Disposal of ~~license or~~ severance taxes. ~~License or severance~~ Severance taxes collected under the provisions of this chapter or ~~such sections as may enact a~~ severance tax on coal in 1975 are allocated as follows:

(1) ~~For the county for such purposes as the governing body of that county may determine from which coal was mined for each calendar year prior to January 1, 1980, three cents (3¢) per ton or four per cent (4%) of the severance tax paid on the coal mined in that county, whichever is higher, and for each calendar year following December 31, 1979, three~~

~~cents (3¢) per ton or three and one-half per cent (3 1/2%) of the severance tax paid on the coal mined in that county, whichever is higher. To the trust fund created by Article IX, section 5, of the Montana constitution, 25% of total collections a year. After December 31, 1979, 50% of coal severance tax collections are allocated to this trust fund. The trust fund moneys shall be deposited in an account in the trust and legacy fund THE FUND ESTABLISHED UNDER 79-309(5) and invested by the board of investments as provided by law.~~

~~(2) Coal severance tax collections remaining after allocation to the trust fund under subsection (1) are allocated in the following percentages of the remaining balance:~~

~~(A) TO THE COUNTY IN WHICH COAL IS MINED, 2% OF THE SEVERANCE TAX PAID ON THE COAL MINED IN THAT COUNTY UNTIL JANUARY 1, 1980, FOR SUCH PURPOSES AS THE GOVERNING BODY OF THE COUNTY MAY DETERMINE. MAINTENANCE AND CONSTRUCTION OF HIGHWAYS, ROADS, STREETS, OR ALLEYS. SUCH PURPOSES AS THE GOVERNING BODY OF THE COUNTY MAY DETERMINE.~~

~~(2)(a)(B) Two and one-half per cent (2 1/2%) of total collections per year until December 31, 1979, and thereafter four per cent (4%) of total collections per year 5% to the earmarked revenue fund, to the credit of the alternative energy research development and demonstration account.~~

1 ~~(3)(b)(C)~~ Twenty-seven and one-half per cent ~~(27.5%)~~
 2 ~~27 1/2%~~ 26 1/2% of total collections per year, until July 1,
 3 1979, and thereafter thirty-five per cent ~~(35%)~~ 37 1/2% to
 4 the earmarked revenue fund to the credit of the local impact
 5 and education trust fund account.

6 ~~(4)(c)(D)~~ For for each of the four ~~(4)~~ 2 fiscal years
 7 following the effective date of this act ~~June 30, 1977~~, ten
 8 per cent ~~(10%)~~ of total collections per year ~~10% 12% 12%~~
 9 the earmarked revenue fund to the credit of the coal area
 10 highway improvement account.

11 ~~(5)(d)(E)~~ Ten per cent ~~(10%)~~ of total collections per
 12 year to the earmarked revenue fund for state equalization
 13 aid to public schools of the state.

14 ~~(6)(e)(F)~~ For the period ending December 31, 1979, one
 15 per cent ~~(1%)~~ of total collections per year ~~2% 1%~~ to the
 16 earmarked revenue fund to the credit of the county land
 17 planning account.

18 ~~(7)(f)(G)~~ Two and one-half per cent ~~(2 1/2%)~~ of total
 19 collections per year to the sinking fund to the credit of
 20 ~~AND THE EARMARKED REVENUE FUND TO BE ALLOCATED BETWEEN TO~~
 21 ~~THE CREDIT OF~~ the renewable resource development bond
 22 account ~~AND THE COAL UTILIZATION RESEARCH ACCOUNT AS~~
 23 ~~PRESCRIBED BY 89-3687.~~

24 ~~(8)(g)(H)~~ Two and one-half per cent ~~(2 1/2%)~~ of total
 25 collections per year through June 30, 1979, of which portion

1 one-half ~~(1/2)~~ shall be allocated to the earmarked revenue
 2 fund, for the purpose of acquisition, ~~OPERATION, OR~~
 3 ~~MAINTENANCE, OPERATION, OR MAINTENANCE~~ of sites and areas
 4 described in section 62-304, ~~AND THE OPERATION AND~~
 5 ~~MAINTENANCE OF SITES SO ACQUIRED~~, subject to legislative
 6 appropriations, and one-half ~~(1/2)~~ shall be allocated to the
 7 trust and legacy ~~EARMARKED REVENUE FUND, TO BE INVESTED IN A~~
 8 ~~TRUST~~ fund, for the purpose of parks acquisition ~~OR~~
 9 ~~MANAGEMENT~~. After June 30, 1979, five per cent ~~(5%)~~ of total
 10 collections per year shall be allocated to the trust and
 11 legacy fund, for the purpose of parks acquisition ~~OR~~
 12 ~~MANAGEMENT~~. Income from the fund established in this
 13 subsection ~~(g)(H)~~ may be appropriated for the acquisition
 14 ~~OPERATION OR MAINTENANCE~~ of sites and areas described in
 15 section 62-304, ~~AND THE OPERATION AND MAINTENANCE OF SITES~~
 16 ~~SO ACQUIRED.~~

17 ~~(9)~~ To the earmarked revenue fund, such portions of
 18 the severance tax as may be authorized by laws enacted in
 19 1975.

20 ~~(10)(h)(I)~~ All other revenues from license or
 21 severance taxes collected under the provisions of this
 22 chapter shall be deposited to the credit of the general fund
 23 of the state.

24 Section 2. Section 50-1803, R.C.M. 1947, is amended to
 25 read as follows:

"50-1803. Coal area highway reconstruction program.

(1) There is appropriated to the department of highways for each of the ~~four (4)~~ fiscal years following the ~~effective date of this act~~ July 1, 1975, all the funds in the coal area highway improvement account for carrying out the programs authorized by this section. Any funds thus appropriated and not expended before June 30, 1979, may, notwithstanding the provisions of 79-1015.3, be expended or encumbered to carry out this section until June 30, 1981.

(2) The department of highways, within the area designated as the eastern Montana coal field economic growth center as certified to the secretary of transportation by the governor under section 143, Title 23, United States Code, shall prepare a special construction program for the reconstruction of deficient sections of these highways.

(3) The department of highways shall expedite the planning and reconstruction program for projects on the designated portions within this area by using funds allocated under this subsection and any federal funds that may be made available to match such funds; until federal funds are made available to match the funds allocated under this subsection the department of highways may, upon approval of the Montana state highway commission, expend such funds for planning and reconstruction projects with or without assurance from the federal government that unmatched

state expenditures will be retroactively recognized for matching purposes.

(4) Funds allocated under this subsection shall not be used to match apportionments made for primary and secondary highways under the ~~Federal Aid~~ Federal-Aid Highway Acts; however, nothing in this subsection should be construed to prohibit the implementation of projects otherwise funded by apportionments made under the ~~Federal Aid~~ Federal-Aid Highway Acts; furthermore, planning and reconstruction projects may be financed in whole or in part by public and private funds provided such projects conform to the applicable standards, regulations, and procedures of the department of highways and the federal highway administration."

Section 3. Section 50-1806, R.C.M. 1947, is amended to read as follows:

"50-1806. Coal board -- general powers. The board may:

(1) retain professional consultants and advisors;

(2) adopt rules governing its proceedings;

(3) consider applications for grants from the local impact and education trust fund account; and

(4) award grants, subject to section 50-1807, not to exceed in any one year ~~seven-elevenths (7/11)~~, and after June 30, 1979, ~~three-sevenths (3/7)~~ seven-fifteenths of the revenue paid into the local impact and education trust fund

account, to local governmental units and state agencies to assist local governmental units in meeting the local impact of coal development by enabling them to adequately provide governmental services and facilities which are needed as a direct consequence of coal development. As used in the preceding sentence, "revenue paid" does not include interest income from the account reinvested in the account in trust for the public schools and the university system. Such grants shall be awarded on the basis of (a) need, (b) degree of severity of impact from the coal development, (c) availability of funds, and (d) degree of local effort in meeting these needs. The board shall formulate guidelines to evaluate degree of local effort, considering bond issues and millage levels. To the extent funds are needed to evaluate and plan for the impact needs caused by coal development, consideration of bond issues and millage levies may be waived."

Section 4. Section 82-3710, R.C.M. 1947, is amended to read as follows:

"82-3710. County land planning assistance. (1) The department of community affairs shall annually distribute to all the counties in the state the funds in appropriated from the county land planning account as follows: The funds shall be apportioned forty percent (40%) on the ratio of each county's portion of the total land area of the state

and sixty percent (60%) on the ratio of each county's portion of the total population of the state.

~~(a) One third of the funds shall be distributed to city or county governing bodies or local planning agencies to support local planning efforts according to criteria established by the department. These criteria shall at least relate to the magnitude of local planning needs, the unavailability of local funds for planning programs, the potential beneficial impact of the proposed planning program, the willingness of local authorities to conduct and continue a planning program, and the availability of the technical and administrative skills necessary to carry out the planning program.~~

~~(b) From two thirds of the funds each EACH county shall be allotted \$3,000. After this disbursement has been made, 40% of the balance in the account shall be apportioned to the counties according to the ratio of each county's land area to the total land area of the state, and 60% of the balance shall be apportioned to the counties according to each county's portion of the total population of the state. If a multi-jurisdictional planning board has been established in the county it may receive and expend part or all of the funds allocated to that county.~~

(2) Counties, cities, or joint planning boards receiving funds under this section shall use such funds for

1 the land planning purposes of ~~making inventories of land~~
2 ~~categories within their boundaries and of classifying lands~~
3 ~~for taxation and planning programs.~~

4 ~~{3} There is appropriated to the department of~~
5 ~~community affairs for the purposes of this section all the~~
6 ~~funds in the county land planning account for the biennium~~
7 ~~ending June 30, 1977.~~

8 ~~{4}{3} At the end of each fiscal year the every local~~
9 ~~governing body of the affected county and planning agency~~
10 ~~receiving funds under this section shall provide an~~
11 ~~accounting of how the moneys were spent in a form acceptable~~
12 ~~to the department of community affairs. Any surplus of~~
13 ~~prorated funds shall revert to the education trust fund~~
14 ~~account."~~

15 SECTION 5. THERE IS A NEW R.C.M. SECTION THAT READS AS
16 FOLLOWS:

17 Coal tax oversight committee continued. The select
18 committee established by section 15, chapter 502, Laws of
19 1975, is continued for the biennium ending June 30, 1979,
20 and is directed to report its recommendation to the 46th
21 legislature.

22 SECTION 6. SECTION 50-1804, R.C.M. 1947, IS AMENDED TO
23 READ AS FOLLOWS:

24 "50-1804. Coal board ~~est~~ablished -- composition. (1)
25 There is a coal board composed of seven-{7} members.

1 (2) The coal board is allocated to the department of
2 community affairs for administrative purposes only as
3 prescribed in section 82A-108.

4 (3) The members of the coal board are selected as
5 follows: The governor shall appoint a seven-{7} member coal
6 board, as provided under 82A-112, two-{2} from the impact
7 areas and two-{2} with expertise in education. The governor
8 shall further, in making these appointments, consider people
9 from these fields: business, engineering, public
10 administration and planning. No more than four-{4} members
11 may be residents of the same congressional district."

12 SECTION 7. SECTION 79-309, R.C.M. 1947, IS AMENDED TO
13 READ AS FOLLOWS:

14 "79-309. Investment funds. For each treasury fund
15 account into which state funds are segregated by the
16 department of administration pursuant to section 79-413,
17 individual transactions and totals of all investments shall
18 be separately recorded to the extent directed by the
19 department. However, the securities purchased and cash on
20 hand for all treasury fund accounts not otherwise
21 specifically designated by law or by the provisions of a
22 gift, donation, grant, legacy, bequest or devise from which
23 the fund account originates to be invested shall be pooled
24 in an account to be designated "Treasury Cash Account" and
25 placed in one of the investment funds designated below. The

1 share of the income for this account shall be credited to
 2 the general fund. If within the list hereinafter of separate
 3 investment funds, more than one investment fund is included
 4 which may be held jointly with others under the same
 5 separate listing, all investments purchased for that
 6 separate investment fund shall be held jointly for all the
 7 accounts participating therein, which shall share all
 8 capital gains and losses and income pro rata. Separate
 9 investment funds shall be maintained as follows:

10 (1) the trust and legacy fund, including all public
 11 school funds and funds of the Montana university system and
 12 other state institutions of learning referred to in sections
 13 2 and 10, article X, of the 1972 Montana constitution, and
 14 all money referred to in section 79-410 (8);

15 (2) a separate investment fund, which may not be held
 16 jointly with other funds, for money pertaining to each
 17 retirement or insurance system now or hereafter maintained
 18 by the state, including those now maintained under the
 19 following statutes:

20 (a) the highway patrolmen's retirement system
 21 described in title 31, chapter 2;

22 (b) the public employees' retirement system described
 23 in title 68;

24 (c) the game wardens' retirement system described in
 25 title 68, chapter 14;

1 (d) the teachers' retirement system described in title
 2 75, chapter 62; and

3 (e) the industrial accident insurance program
 4 described in title 92, chapter 11;

5 (3) a pooled investment fund, including all other
 6 accounts within the treasury fund structure established by
 7 section 79-410;

8 (4) a fund consisting of gifts, donations, grants,
 9 legacies, bequests, devises and other contributions made or
 10 given for a specific purpose or under conditions expressed
 11 in the gift, donation, grant, legacy, bequest, devise or
 12 contribution on the part of the state of Montana to be
 13 observed. If such gift, donation, grant, legacy, bequest,
 14 devise, or contribution permits investment, and is not
 15 otherwise restricted by its terms, it may be treated jointly
 16 with other such gifts, donations, grants, legacies,
 17 bequests, devises, or contributions; and

18 (5) a fund consisting of coal severance taxes
 19 allocated thereto under section 5, article IX of the Montana
 20 constitution. The principal of this trust fund shall be
 21 permanent and invested in the permissible investments
 22 enumerated in 79-310. In the event the legislature
 23 appropriates any part of the principal of this fund by vote
 24 of three-fourths of the members of each house, such
 25 liquidation may create a gain or loss in the principal; and

1 ~~{5}{6}~~ such additional investment funds as may be
2 expressly required by law, or may be determined by the board
3 of investments to be necessary to fulfill fiduciary
4 responsibilities of the state with respect to funds from a
5 particular source."

6 ~~SECTION 8. THERE IS A NEW R.C.M. SECTION NUMBERED~~
7 ~~89-3604.1 THAT READS AS FOLLOWS:~~

8 ~~89-3604.1. Grants for coal utilization research. (1)~~
9 ~~The department of natural resources and conservation may~~
10 ~~make grants to persons, as defined in 84-7408, to assist~~
11 ~~them in the research, development, or demonstration of more~~
12 ~~efficient alternative forms of coal conversion. These more~~
13 ~~efficient forms are defined as the conversion of coal into~~
14 ~~forms of energy OR PRODUCTS useful to mankind through~~
15 ~~technology proposed to convert coal more efficiently than~~
16 ~~the technology in general commercial uses. Such research,~~
17 ~~development, or demonstration are public purposes,~~
18 ~~furthering the policy of the state of Montana, which favors~~
19 ~~conservation of the coal resource through its most efficient~~
20 ~~utilization.~~

21 ~~{2} In administering this section the department shall~~
22 ~~follow the criteria for grant awards set forth in 84-7412~~
23 ~~and may exercise the powers vested in it under 84-7410 and~~
24 ~~84-7411, or those sections as they may be amended or~~
25 ~~renumbered.~~

1 SECTION 8. SECTION 89-3607, R.C.M. 1947, IS AMENDED TO
2 READ AS FOLLOWS:

3 "89-3607. Sinking fund account ~~coal utilization~~
4 ~~research account.~~ (1) The state may by enactment of the
5 legislature or the people levy, impose, assess, and pledge
6 and appropriate to the sinking fund account any tax, charge,
7 fee, rental or other income from any designated source. The
8 state reserves the right to modify from time to time the
9 nature and amount of special taxes and other revenues
10 pledged and appropriated to the sinking fund account,
11 provided that the aggregate resources so pledged and
12 appropriated are determined by the legislature to be
13 sufficient for the prompt and full payment of the principal
14 of and interest and redemption premiums when due on all
15 bonds payable from that account, and provided that the
16 pledge of the full faith and credit and taxing powers of the
17 state for the security of all such bonds shall be and remain
18 irrevocable until they are fully paid.

19 (2) Money in the sinking fund account shall be used
20 first to pay interest, principal and redemption premiums
21 when due and payable with respect to renewable resource
22 development bonds; second to accumulate a reserve for the
23 further security of such payments, to the amount required
24 each month to meet those payments due within ~~twelve~~ {12}
25 months thereafter; and third to restore the reserve to this

1 amount after each payment.

2 (3) After the reserve provided for in subsection (2)
3 above is in the sinking fund, money at any time received in
4 the sinking fund in excess of that amount shall be
5 transferred by the treasurer to the clearance fund account.
6 If the balance at any time on hand in the sinking fund is
7 not sufficient for compliance with subsection (2), and is
8 not restored to the required amount within ~~three~~ {3} months
9 thereafter, from funds specifically pledged and appropriated
10 to the sinking fund account, the treasurer shall transfer
11 thereto from the general fund an amount sufficient to
12 restore the required balance.

13 (4) The state pledges and appropriates and directs to
14 be credited to the sinking fund account as received ~~two and~~
15 ~~one-half percent (2-1/2%)~~ ~~1-1/2%~~ 2 1/2% of all money from
16 time to time received from the collection of the ~~strip-coal~~
17 ~~mines-license-tax payable under the provisions of section~~
18 ~~84-1382, or the equivalent provision of any severance tax~~
19 ~~enacted in lieu of such license tax, and remaining after~~
20 allocation of such tax to the trust fund established under
21 section 5, article IX of the Montana constitution and such
22 additional amount thereof, if any, as may be required from
23 time to time to provide sufficient funds for the purposes
24 stated in subsection (2) above; provided that no more than
25 ~~two and one-half percent (2-1/2%)~~ ~~1-1/2%~~ 2 1/2% of such tax

1 collections shall be deemed to be pledged for the purpose of
2 section 89-3606, subsection (3).

3 ~~(5) There is a coal utilization research account~~
4 ~~within the earmarked revenue funds. Moneys paid into this~~
5 ~~account consist of 1% of the coal severance tax collected~~
6 ~~each quarter and remaining after allocation of such tax to~~
7 ~~the trust fund established under section 5, article IX of~~
8 ~~the Montana constitution. Moneys in this account may be~~
9 ~~appropriated for the purposes specified in 89-3606, etc."~~

-End-

FISCAL NOTE REQUEST NO. 18-77

House Bill 86

FISCAL IMPACT: (continued)

Office of Budget and Program Planning

The proposed legislation will not require additional staff or expense by the Office of Budget and Program Planning provided the recommended budget modifications in the 1978-79 Executive Budget are approved.

FISCAL IMPACT:

None.

LONG RANGE IMPACT:

Indeterminate.

TECHNICAL NOTES:

1. The increased costs of implementing the proposed legislation are largely contingent upon requirements for performance auditing by the legislative auditor. Revision and more detailed specification of audit requirements could substantially affect cost.
2. H.B. 643 (Chapter 460, Session Laws of Montana) includes a provision for "a variance report for the immediate past fiscal year which shall detail variances between expenditures, revenues, program size indicators, effectiveness measures and priorities expressed in the executive budget and those actually realized." This requirement duplicates, in part, requirements for performance audits as specified in the proposed legislation.
3. Clarification is necessary regarding the concepts "intervention assumptions" and "effectiveness measures" in section 2, subsection 3.
4. H.B. 86 should make reference to the existing H.B. 643 and clarify the status of H.B. 643 if implemented. Will H.B. 86 supersede H.B. 643 or supplement the provisions of H.B. 643?
5. OBPP recommends a subsection be added to section 5 relative to the organizational structure of the program to be reviewed. The subsection would include a statement identifying the organizational structure of the agency or program to carry out the stated goals and objectives and should include functions and staffing of the agency or program and the mechanisms for coordinating work internally and with other agencies or programs.
6. OBPP recommends that Section 5, subsection 5, be changed to read, "actual disbursements for the past fiscal year, . . ."

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

January 14, 1977

The sixth meeting of the Taxation Committee was called to order on the above date in Room 415 of the State Capitol Building by Chairman Mathers at 8:00 a.m.

ROLL CALL: Roll call found all members present.

The following witnesses were present:

David N. Ottolino	
Pat DeVries	
Edward W. Nelson	Mont. Taxpayers Assoc.
John Dracon	School Admin. of Mont.
T. Carl Johnson	"
Steve Elliot	Wesco Resources
Don Driscoll	School Admin. of Montana
Stephen Turkiewicz	Mt. Assoc. of Counties
Joseph H. Lutz	Sch. Dist. 16, Havre
Jim Mochler	Mont. Coal Council

Chairman Mathers opened the meeting saying there were some people who had been unable to attend yesterday's hearing on SB44 and 48 and had testimony on SB44. First to speak was Mr. Dracon who expressed his support of the bill and which he felt gave the schools the kind of support they need. Mr. Mochler next spoke and asked the committee to consider the conference committee report issued when the 30% severance tax was passed in 1975. His statement is attached, see Exhibit #1.

Mr. Elliott spoke next and said he felt the committee should look closely at some of the problems that arise in the impact areas as the problems have to be faced by those areas. Mr. Turkiewicz next spoke and said he objected to two sections of the bill in particular, saying he did not feel the counties should have to go to a state coal board in order to obtain impact area funds to help the distressed counties. He also objected to the new distribution that is to go into county planning funds. Mr. Johnson stated his agreement with the testimony of Mr. Dracon as did Mr. Driscoll; neither wished to give oral testimony.

Chairman Mathers then permitted Sen. Manning to present his testimony. Due to time limitations at the previous day's meeting, he had not presented his testimony. Sen. Manning read from a prepared statement, Exhibit #2, attached. He also submitted a chart to the committee which showed taxable valuations and mill levies for Big Horn, Rosebud and Treasure counties, the most affected counties in the impact area, Exhibit #3, attached.

Sen. Manning continued his presentation, saying he had made 3 trips to Washington, D.C., since the last Legislature, in his attempt to obtain a designation of Impact Area for the three-county

several examples of individuals paying no income tax on retirement benefits under various plans were also mentioned. Sen. Thomas felt that all individuals should have the same exemptions, whether they were retired public employees or employees retired from private companies.

A number of possibilities were discussed but none to the committee's satisfaction and Roger Tippy was instructed to attempt to draw up some amendments that could be discussed at another meeting of the committee. Following his instruction, Chairman Mathers closed the hearing on SB158.

The Chairman then asked the committee to further consider the amendments that had been introduced to SB44, previously heard by the committee.

Sen. Manning Moved to Reconsider the Action of the Committee on January 29, in the matter of Amend. #6, (see minutes of January 29). The motion was seconded by Sen. Turnage and motion carried. Sen. Manning also distributed Exh. #1, attached, and gave his reasons for believing the percentages listed on this exhibit should remain the same.

Chairman Mathers then introduced Exh. #2, attached, and said this amendment would make the loans available to public agencies or departments, and not to individuals, thereby erasing the possibilities that existed for loans to refinance irrigation sprinkler systems.

The amendments proposed by the Board of Investments were introduced, see Exh. #3, attached, and the committee discussed these amendments at length. This amendment concerned investment of the funds from the severance tax, and the committee agreed to vote on them.

Sen. Watt Moved to Adopt Amendments as proposed by the B. of I, contained in Exh. #3. Motion was seconded by Sen. Turnage and motion carried. Note for the record the absence of Sen. Towe and Sen. Norman voted "No."

Sen. Norman stated his objections to further financing of irrigation districts, referring to his home district where numerous drownings had occurred. Sen. Towe arrived at the meeting at this point and discussion continued. The committee expressed their favor of the amendments in Exh. #2, and hoped that they might have a better chance of passing if they were incorporated in SB48. There was discussion on this point and the committee agreed to the proposal.

Sen. Turnage Moved the Amendments in Exh. #2, sections 8 and 9, be Adopted. The motion was seconded by Sen. Goodover and motion carried. Note for the record Sen. Norman voted "No."

DISPOSITION: Sen. Turnage Moved SB44 AS AMENDED, DO PASS. Sen. Watt seconded the motion and motion carried. Note Sen. Norman voted "No."

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area and received the assurance of the Sec. of Transp., that highway funds will also be forthcoming for that area. He continued his testimony saying that other areas adjacent to the affected counties also feel results of the impact that the coal industry has caused. He said they too have problems with increase in population, schools, roads, etc., but do not receive direct aid as do the impact area counties. He asked why could the counties not go directly to the coal board with the evidence of their being so affected and obtain grants, rather than have a comparatively small group, the county's commissioners, determine how the large amount of funds is to be distributed, and this only in the counties designated as impact counties. He then read from the testimony presented in Washington, D.C., see Exhibit #4, attached.

His statement detailed some of the problems the impact areas have had and roads were of great importance. He said he had asked for the funds and would not want to see the credibility of the Tax Oversight Committee and the Highway committee, both of which had done much work in this area, to be questioned.

The Chairman then asked committee members if they had any questions and Sens. Goodover, Towe and Turnage opened discussion on various points, including the amounts that the counties of Big Horn and Rosebud had received in the past two years in grants from the coal board. Sen. Turnage questioned Turkiewicz concerning some of the Association's objections, as did Sen. Manning and Sen. Towe. He stated the Association feels that money should not be taken from the affected counties to benefit other counties. There followed considerable discussion on the bill and Sen. Watt asked if money is to be distributed in the impact counties by county commissioners only, without regard to school boards or town councils who also are elected officials.

Chairman Mathers called for any further questions on SB44 and there being none, the hearing was closed.

CONSIDERATION OF SENATE BILL 28: Sen. Watt presented his bill, reading portions from the Montana State Income Tax booklet and said his bill was to convert personal exemptions into income tax credits. He also pointed out a chart to the committee and said he thought the bill was an advantage to those with incomes of \$16,000 or less.

Mr. Nelson next spoke and said the bill would not save those in that middle income bracket money, as Sen. Watt indicated. He cited an example showing an increase of but \$11.50 over Sen. Watt's figures, and although he agreed the difference was slight, he said the amount would graduate in the higher income brackets. Thus he felt the bill would raise personal income taxes. He stated he would like the opportunity to submit a written report to the committee when they next considered this bill.

Mr. Groff of the Department of Revenue was also present and said the computer in the Department had come up with the figures used in the bill and that they would check Mr. Nelson's figures. He felt the philosophy of the bill was good.

2013
farms could be termed renewable resources.

Chairman Mathers then said that since Sen. Manning would be able to make his presentation of SB48 at any time, perhaps the witnesses present should make their presentation first, as many of them were from out of town.

CONSIDERATION OF SENATE BILL 44: Mr. Lynch was first to give testimony and said he represented a number of the eastern counties in opposing the bill and said one of the reasons for this, in regard to his being from Butte, was that he didn't want the same mistakes to happen in that part of the state as had happened in Butte. He presented a statement for the record, Rep. Conroy also spoke, saying he thought the problems that had been illustrated were borne out by the Oversight Committee and further illustrated the points he wished to make. He stated he had been opposed to SB13, from 44th Legislature, and the hardships induced by these bills hit the county they were supposed to be helping first. He mentioned the 301 miles of roads in the county and said that there are but just a few miles that actually feel the impact from the mining industry and related effects. He mentioned that no Federal matching funds had been forthcoming as yet and said that when the roads were completed they would still be secondary highways and would not be maintained by the highway department. He cited figures showing the increase in expenditures the county had since the coal impact. He continued citing from Exhibit #5, attached. He stated the valuation is up in the county, yet taxes remain the same. He stated the increase in budget must be picked up by the taxpayers, without extra funds, and with 50% of the county in Indian trust land and 50% largely agricultural, the ranchers will be expected to pay the tax burdens and with \$2 wheat and 30¢ yearling calves, more ranchers are in financial trouble today and finding it difficult to pay taxes at this time. He compared the coal pie to a cow and said she was split so many ways she eventually died. The only portion of the pie that was cut out was the one that is working. He suggested that an Interim study be made on the distribution of the taxes.

Chairman Mathers then asked for other questions from the committee and explanation was made to Mr. Crowley that the planning funds for the counties would not be decreased, rather there would be a slight increase. Sen. Manning said he had testimony to present as well but due to the length of this meeting and scheduled hearings for committee members, he would withhold his remarks until the following day.

It was noted for the record that a wire had been received from Fran Mertes, Pre., Glendive Cham. of Comm. & Agri., requesting continuation of renewable resource loan program. See Exhibit #6, attached. Also attached is the report of the Coal Tax Oversight Committee, Exhibit #7, attached.

Chairman Mathers announced that the hearings for the two bills, SB 44 and 48 would be continued Friday morning, January 14, at 8:00 a.m.

Motion was made to adjourn by Sen. Roskie, seconded by Sen. Brown.

Table No. 1 Showing 12 reaches of roads within the Colstrip Economic Development Growth Center area (Designated by the U. S. Secretary of Transportation) and current cost estimates by the Montana Highway Department.

January 1977

DESIGNATION	LENGTH	EST. COST TO CONSTRUCT
1. Sarpy Creek Road	27 Mi.	\$ 5.4 million
2. Hardin - Sarpy Creek	12 Mi.	2.4 million
3. Hardin - East	20 Mi.	1.8 million
4. Colstrip-Forsyth	30 Mi.	11.4 million
5. Lane Deer - Colstrip	22 Mi.	2.9 million
6. Rosebud-South	36 Mi.	4.1 million
7. Ashland - Northwest	20 Mi.	2.7 million
8. Decker - Busby	40 Mi.	8.0 million
9. Birney - Southwest	24 Mi.	4.8 million
10. Birney - Ashland	23 Mi.	4.7 million
11. Crow Agency - Busby	27 Mi.	8.8 million
12. Lane Deer - Ashland	20 Mi.	6.5 million
	301 Miles	\$63.5 million
Big Horn County	168 Mi.	
Rosebud County	106 Mi.	
Treasure County	27 Mi.	
	301 Miles	

Table No. 2 Showing proposed coal severance tax percentages of distribution applied to the remaining funds after 25 % of the total collections are set aside to implement the constitutional amendment ratified at the 1976 election.

	Existing Percentages (1975-77)	Redistributed Percentages	New Percentages (1977-79)
Coal Mining Counties	4 } 14	-3	1 } 14
Coal Area Highways	10	+3	13
General Fund	40	----	40
Foundation Program	10	----	10
Local Impact	17½	----	17½
Educational Trust Fund	10	----	10
Park Funds	2½	----	2½
County Land Planning	1	----	1
Alternate Energy	2½	----	2½
Renewable Resources	2½	----	2½

Encl. # 2

Section . Section 89-3603, R.C.M. 1947, is amended to read as follows:

"89-3603. Renewable resource development loans. (1) The board of natural resources and conservation is authorized upon proper application and upon recommendation of the department of natural resources and conservation to make loans from the renewable resource development account established by this act to ~~farmers-and-ranchers of-the-state-of-Montana-who,-without-regard-to-their-form-of-business organization:~~

~~(a)-are-citizens-of-the-United-States-and-are-citizens-and residents-of-the-state-of-Montana;~~

~~(b)-have-sufficient-farming-or-ranching-training-and-experience which,-in-the-opinion-of-the-department,-is-sufficient-to-assure-the likelihood-of-the-success-of-the-proposed-operations,-and~~

~~(c)-are-or-will-become-owner-operators-of-farms-or-ranches-~~
conservation districts established under Title 76. No loan may be made to an individual, corporation, partnership, or other private entity.

(2) the department shall solicit and consider in its evaluation of proposed projects the views of interested and affected departments, boards, agencies and other subdivisions of state and federal government and of other interested and affected persons.

(3) The board may make the renewable resource development loans provided for by this section for any worthwhile project for the conservation, management, utilization, development, or preservation of the land, water, fish, wildlife, recreational, and other renewable resources in the state; and for the refinancing of existing indebtedness incurred in the expansion or rehabilitation of projects for those purposes.

(4) The board shall make no renewable resource development loan which exceeds the lesser of one hundred thousand dollars (\$100,000) or eighty percent (80%) of the fair market value of the security given therefor. In determining the fair market value for the security given for any loan, the department shall consider appraisals made by qualified appraisers and such other factors it considers important.

(5) The period for repayment of loans pursuant to this act may not exceed thirty (30) years.

(6) The board shall from time to time establish by rule the interest rate at which loans may be made under this act, provided that in no case may the rate be greater than one (1) percentage point greater than the prevailing interest rate on the renewable resource development bonds provided for in this act.

(7) The state shall have a lien upon a project constructed with money from the renewable resource development account for the amount of the loan, together with the interest thereon. This lien may attach to all project facilities, equipment, easements, real property, and property of any kind of nature owned by the debtor, including all water rights. The board shall file either a financing statement or a real estate mortgage covering the loan, its amount, terms and a

II

description of the project with the county recorder of each county in which the project or any part thereof is located. The county recorder shall record the lien in a book kept for the recording of liens and it shall be indexed as other liens are required by law to be indexed. The lien shall be valid until paid in full or otherwise discharged. The lien shall be foreclosed in accordance with applicable state law governing foreclosure of mortgages and liens.

(8) The board may adopt rules as required to govern the terms and conditions for making loans, security instruments, and agreements pursuant to this act.

(9) No member, officer, attorney, or other employee of the board or the department shall, directly or indirectly, be the beneficiary of or receive any fee, commission, gift, or other consideration for or in connection with any transaction or business under this act other than such salary, fee, or other compensation as he may receive as such member, officer, attorney, or employee. Any person violating any provision of this section shall, upon conviction thereof be punished by a fine of not more than two thousand dollars (\$2,000) or imprisonment for not more than two (2) years or both.

(10) The department shall administer the loans made by the board pursuant to this act, and may accept and utilize voluntary and uncompensated services, and, with the consent of the agency concerned, utilize the officers, employees, equipment, and information of any agency of the federal government, or of any agency of Montana government, or of any political subdivision within Montana."

Section . THERE IS A NEW R.C.M. SECTION, TO BE NUMBERED 89-3604.1, THAT READS AS FOLLOWS:

"89-3604.1 Grants for coal utilization research.

(1) The department of natural resources and conservation may make grants to persons, as defined in 84-7408, to assist them in the research, development, or demonstration of more efficient alternative forms of coal conversion. These more efficient forms are defined as the conversion of coal into forms of energy useful to mankind through technology proposed to convert coal more efficiently than the technology in general commercial use. Such research, development, or demonstration are public purposes, furthering the policy of the state of Montana, which favors conservation of the coal resource through its most efficient utilization.

(2) In administering this section the department shall follow the criteria for grant awards set forth in 84-7412 and may exercise the powers vested in it under 84-7410 and 84-7411, or those sections as they may be amended or renumbered."

Section . Section 89-3607, R.C.M. 1947, is amended to read as follows:

"89-3607. Sinking fund account -- coal utilization research account. (1) The state may by enactment of the legislature or the people levy, impose, assess, and pledge and appropriate to the sinking

111
fund account any tax, charge, fee, rental or other income from any designated source. The state reserves the right to modify from time to time the nature and amount of special taxes and other revenues pledged and appropriated to the sinking fund account, provided that the aggregate resources so pledged and appropriated are determined by the legislature to be sufficient for the prompt and full payment of the principal of and interest and redemption premiums when due on all bonds payable from that account, and provided that the pledge of the full faith and credit and taxing powers of the state for the security of all such bonds shall be and remain irrevocable until they are fully paid.

(2) Money in the sinking fund account shall be used first to pay interest, principal and redemption premiums when due and payable with ~~respect to renewable resource development bonds~~; second to accumulate a reserve for the further security of such payments, to the amount required each month to meet those payments due within twelve (12) months thereafter, and third to restore the reserve to this amount after each payment.

(3) After the reserve provided for in subsection (2) above is in the sinking fund, money at any time received in the sinking fund in excess of that amount shall be transferred by the treasurer to the clearance fund account. If the balance at any time on hand in the sinking fund is not sufficient for compliance with subsection (2), and is not restored to the required amount within three (3) months thereafter, from funds specifically pledged and appropriated to the sinking fund account, the treasurer shall transfer thereto from the general fund an amount sufficient to restore the required balance.

(4) The state pledges and appropriates and directs to be credited to the sinking fund account as received ~~two-and-one-half-percent-(2½%)~~ 1% of all money from time to time received from the collection of the ~~strip-coal-mines-license-tax-payable-under-the-provisions-of-section 84-1302, or the equivalent provision of any~~ severance tax enacted in ~~lieu of such license tax~~, and remaining after allocation of such tax to the trust fund established under section 5, article IX of the Montana constitution and such additional amount thereof, if any, as may be required from time to time to provide sufficient funds for the purposes stated in subsection (2) above; provided that no more than ~~two-and-one-half-percent-(2½%)~~ 1% of such tax collections shall be deemed to be pledged for the purpose of section 89-3606, subsection (3).

(5) There is a coal utilization research account within the earmarked revenue fund. Moneys paid into this account consist of 1½% of the coal severance tax collected each quarter and remaining after allocation of such tax to the trust fund established under section 5, article IX of the Montana constitution. Moneys in this account may be appropriated for the purposes specified in 89-3604.1.

Section . Section 50-1804, R.C.M. 1947, is amended to read as follows:

"50-1804. Coal board established -- composition. (1) There is a coal board composed of ~~seven~~ {7} members.

(2) The coal board is allocated to the department of community affairs for administrative purposes only as prescribed in section

10
82A-108.

(3) The members of the coal board are selected as follows: The governor shall appoint a ~~seven~~ {7} member coal board, as provided under 82A-112, ~~two~~ {2} from the impact areas and ~~two~~ {2} with expertise in education. The governor shall further, in making these appointments, consider people from these fields: business, engineering, public administration and planning. No more than ~~four~~ {4} members may be residents of the same congressional district."

Eph. # 3

Amendment proposed by Board of Investments

1. Amend section 1, page 2, line 6.

Following: "in"

Strike: "an account in the trust and legacy fund"

Insert: "the fund established under 79-309(5)"

2. Amend page 8.

Following: line 22

Insert: "Section 5. Section 79-309, R.C.M. 1947, is amended to read as follows:

"79-309. Investment funds. For each treasury fund account into which state funds are segregated by the department of administration pursuant to section 79-413, individual transactions and totals of all investments shall be separately recorded to the extent directed by the department. However, the securities purchased and cash on hand for all treasury fund accounts not otherwise specifically designated by law or by the provisions of a gift, donation, grant, legacy, bequest or devise from which the fund account originates to be invested shall be pooled in an account to be designated "Treasury Cash Account" and placed in one of the investment funds designated below. The share of the income for this account shall be credited to the general fund. If within the list hereinafter of separate investment funds, more than one investment fund is included which may be held jointly with others under the same separate listing, all investments purchased for that separate investment fund shall be held jointly for all the accounts participating therein, which shall share all capital gains and losses and income pro rata. Separate investment funds shall be maintained as follows:

(1) the trust and legacy fund, including all public school funds and funds of the Montana university system and other state institutions of learning referred to in sections 2 and 10, article X, of the 1972 Montana constitution, and all money referred to in section 79-410(8);

(2) a separate investment fund, which may not be held jointly with other funds, for money pertaining to each retirement or insurance system now or hereafter maintained by the state, including those now maintained under the following statutes:

(a) the highway patrolmen's retirement system described in Title 31, chapter 2;

(b) the public employees' retirement system described in Title 68;

(c) the game wardens' retirement system described in Title 68, chapter 14;

(d) the teachers' retirement system described in Title 75, chapter 62; and

(3) the industrial accident insurance program described in Title 92, chapter 11;

(3) a pooled investment fund, including all other accounts within the treasury fund structure established by section 79-410;

(4) a fund consisting of gifts, donations, grants, legacies, bequests, devises and other contributions made or given for a specific purpose or under conditions expressed in the gift, donation, grant, legacy, bequest, devise or contribution on the part of the state of Montana to be observed. If such gift, donation, grant, legacy, bequest, devise, or contribution permits investment, and is not otherwise restricted by its terms,

it may be treated jointly with other such gifts, donations, grants, legacies, bequests, devises, or contributions, and

(5) a fund consisting of coal severance taxes allocated thereto under section 5, article 1X of the Montana constitution. The principal of this trust fund shall be permanent and invested in the permissible investments enumerated in 79-310. In the event the legislature appropriates any part of the principal of this fund by vote of three-fourths of the members of each house, such liquidation may create a gain or loss in the principal; and

~~(5)~~ (6) such additional investment funds as may be expressly required by law, or may be determined by the board of investments to be necessary to fulfill fiduciary responsibilities of the state with respect to funds from a particular source.

Note--by implication, the Board's position would also require amending out the trust and legacy fund reference for the park acquisition moneys. This would be as follows:

Amend section 1, page 3, line 19.

Following: line 18

Strike: "trust and legacy"

Insert: (earmarked revenue"

Following: "fund"

Insert: ", to be invested in a trust fund"

Senator Dave Manning, District #25, Treasure County, sponsor of SB 44, gave the committee the report of the Coal Tax Oversight Committee. Roger Tippy wrote SB 44 in accordance with the Coal Tax Oversight Committee's recommendations.

SENATE BILL The Oversight Committee used a presumed \$100 million figure to illustrate how proposed division of coal tax funds was to be recommended. \$25 million goes to the coal tax trust fund leaving \$75 million to be distributed under the formula that basically was established last session. Some minor changes have been made - 40% of the 75% goes to a trust fund, 10% for education, 17.5% for local government. Big Horn and Rosebud county taxable valuations have risen so much, the committee didn't think they needed any more money, so the county share was reduced to 1%, but the money was left in those counties in the highway fund. They have been trying to get federal matching money by using these funds for highway money.

Senator Towe explained changes in the bill in detail. See the "Statement of Intent - Senate Committee on Taxation" written by Roger Tippy, which is attached and explains what HB 44 intends to do in detail.

Senator Manning said when valuations go up there is a need to have automatic and well-considered allocations of money to the cities and towns - one part of government or one governing body cannot be favored. Local people need money for each department. County Commissioners can go to the Coal Board if they need more money.

It will cost \$47 million to build 301 miles of state roads. Enough money will be accumulated for matching funds from the federal government (about \$16,500,000) when money will be available from the federal government. Since the government owns 88% of the mineral of the state, Senator Manning feels they will match these funds and help Montana in this way. This is a "one-shot" deal for really good roads. The Senate voted 48-1 for this bill. Refer to the reports attached.

Steve Turkiewicz, MACo, does not oppose SB 44, but he wants some housekeeping amendments, copy of which proposed amendments is attached. County land planning will get 1% instead of the previously allocated 2½% as shown on page 3, line 14.

Fletcher E. Newby, Fish and Game Department Deputy Director, approves the park allocation. In an effort to develop an effective system, the F&G allowed some of their money to go to the Parks Division. They asked for the support of a state park system, and are very much in support of the amendment allocating money to be used for acquisition until fiscal 1979 when this allocation would be affected by these amendments. Other bills propose other uses for this money, and he feels the committee should look at them. See his testimony attached.

Pat Stewart, Assistant Director of the Montana Coal Council, is neither a proponent nor an opponent. To alleviate the impact he can see Senator Manning's requests which address impact. He can see needs in the counties. He questions whether the division of the funds as it is introduced addresses impact first.

Jon Larson, City/County Health Department, Great Falls, supports SB 44.

Jim Mockler, Montana Coal Council, Helena, supports HB 44 with proposed amendments.

OPPONENTS:

Orrin Ferris, Department NR&C, thinks HB 44 should be amended.

Rep. Esther Bengtson, District #59, Yellowstone County, opposes the section on page 3 which establishes a coal utilization research account from renewable resource development account money. There are 7 projects involved which have to be funded out of this resource development program on encouraging off-stream water sites. She opposes taking this money and channeling it into the coal utilization program. Page 13 is not clear on what coal utilization projects will entail. She suggests looking very closely at the part of the bill deleting reference to all coal utilization research. Amendments she offers will take care of all reference to deleting funds from the renewable resource development program which was designed to help agriculture put land and water to use for Montana. She doesn't want these funds tampered with.

Ted Doney, Chief of the Department of Natural Resources, said they oppose not using all the money for the renewable resource development program. It is not getting off the ground, and if this tax is cut back, they will not have the program. One program is to develop renewable resources, and the other is to develop coal uses. See his testimony attached.

Pat Smith, Northern Plains Resources, Billings, is concerned; Northern Plains is not opposed to this bill, but has problems with it. They oppose 1% being allocated out of the renewable resource funds. Coal is not a renewable resource. The level of funding should remain at the current level of 2½%. Renewable energy helps agriculture, creates jobs. Financial assistance through loans and grants is particularly useful at this time. The program has not been given a chance to prove itself. They also object to the language in section 8, page 13, lines 3-15, as coal gasification could be included in this description. This coal tax money could certainly be used for this purpose. \$718,000 would be allocated over the biennium. They are opposed to taking money out of the coal research program, and are in full support of Rep. Bengtson's proposed amendments. They also feel local governments should have the discretion as to how they use their money.

Phil Tonne, Environmental Information Center, feels this program would allow the State of Montana to help farmers and ranchers in connection with irrigation and he feels this would be better than what the coal utilization program would provide. Conservation districts can go to this fund for help. He approves Rep. Bengtson's amendments.

Pat Bins believes the coal tax trust fund should be invested differently than what is currently on the books. At present they have to invest this fund according to the "prudent man" rule and 80% of this fund is going into out-of-state investments. He recommends that different management practices be imposed, giving priorities to investments within the state. Montana can use this trust fund to better advantage by keeping it in the state where economic and other benefits would accrue to Montana.

Senator Manning opposes 3½% going back to the counties.

Senator Mathers opposes 3½% going back to the counties. He feels all the revenues from coal moneys that have been invested in the coal impacted counties should be taken into consideration. The original intent was to help impacted counties meet their needs. He doesn't think the big utilities need this tax break which would be given to them if this 3½% is given back to the coal mining counties.

Nothing has been done with the renewable resource program because of a pending court decision. Renewable resource programs that were requested were for sprinkler irrigation systems and one trout farm. Sprinklers are one of the most energy-using forms of farm operation. ASCS planners are doing substantially the same type of work. Should ask Mr. Birche, member of the Natural Resources Department, that it be changed. The DNR established a loaning program of its own. The Oversight Committee thought they were getting into trouble since they were getting loan requests that had been rejected by other lenders, and a loan committee was appointed. Mr. Birche, Dave Drum, and Hanson were on this loan committee. The program was established to develop renewable resources besides irrigation systems.

Because of natural gas users having to go to coal, Montana will have a tremendous demand for coal. Development of other than strip mining may have to be done. Coal might be able to be burned in the ground to produce gas. This might make coal more efficient. He thinks tax money should be used to establish research such as this, perhaps by the university system.

This meeting recessed to Room #436 because of schedule conflicts.

Senator Towe advised he feels that the 1% should go into county planning rather to the two counties. The bill originally was written allocating 2%. He suggested incorporating language into SB 44 that would exclude coal gasification programs from receiving any funds from the renewable resource program. He agrees with Pat Bins regarding the investment problem. He thinks there is a need to encourage investment in Montana and this should be studied by an interim committee.

He said he feels the county amendment proposal could do more harm than any of the other comments received. Rosebud County received \$1,027,048 and Big Horn County received \$2,105,841 from gross proceeds tax on coal, which is a 1,000% increase in their revenue income. These substantial increases makes for millage drop. There is \$11.7 million in the coal board fund. Rosebud County has been awarded \$6,341,439 and Big Horn County \$3,866,060 for impact needs. He thinks they have adequate funding for any impact purposes. They cannot get money for roads from the coal board however.

The question was raised of whether the other 54 counties could get a bigger share of this money since those two counties don't need the money - also the question of whether this money could be used for other than planning purposes. Sen. Towe advised he thought the money should be distributed to counties only for specified purposes.

There is a low investment from the coal tax fund in Montana. By investing out-of-state the interest rates are higher - 8% on long-term money at the present time. Montana loans would return 6-7%.

Rep. Bertelsen expressed fear that a huge fund will be collected and invested out-of-state, which would not benefit Montana as it might. He supports a study to take a real hard look at this problem to see what can be done. He also sees a problem with such a huge fund allocated to purchase so much land to be in the public domain, that it will create a problem of taxation and immunity. Sen. Mathers thinks there could be a problem here, but the Oversight Committee is to keep track of this and the Fish and Game Department is having to report to them. Rep. Huennekens advised funds are paid to the county as if the land were in agriculture, but the county does lose tax revenue from loss of livestock, etc.

Rep. Dassinger proposed 1/56 of this fund would be spent in the counties in which the coal is mined.

Sen. Manning feels these funds should be used to take care of impact problems. This money should go into the general fund or to the impacted areas. He wants all money possible to go to the highway accounts. He thinks 1% to the counties is plenty.

Senator Towe advised that no money has been spent by the F&G anywhere for any purchases in Rosebud or Big Horn counties, or other counties as yet. Roads are the only possible thing that are not covered by the coal money under the impact requirement. He advised services and other factors, taxation, mill levies, schools, etc., were all taken into consideration for allocation of coal trust fund moneys.

Mr. Newby advised bonds can't be sold without a decision by the court as to the constitutionality of the renewable resource energy fund. SB 48 takes this into consideration and should be considered in conjunction with SB 44.

Mr. Mockler said there are 38 loan applications requesting just under \$2.5 million. He is with the Montana Coal Council.

Rep. Steve Waldron thinks the timber people in Western Montana should be helped as well as the farmers. A study of the headwaters for storage of Big Horn water off-stream should be made. Have to check what the government is doing so as not to duplicate federal effort.

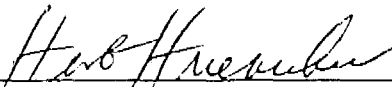
Mr. Montebeller, Administrative officer of the Montana Coal Board, studied the property tax situation on individual taxpayers as well as county-wide, school district, and in every area of taxation, when looking at applications for the use of coal tax funds. Administrative services has a \$1 to \$5 million budget to provide these services. The county tax due on a home in 1975 was higher than is now due because the county tax has dropped. However, city home dwellers are being taxed higher on their homes. The impact is on the city dweller.

Rep. Fabrega advised Mr. Tonne there hasn't been any tentative approval of anything. Forestry is one they are going to try to emphasize. Out of \$1 million allocated, approximately \$390,000 was approved for expenditure by the program handled by them. They have approval of 5 FTEs, but they are not on board at the moment.

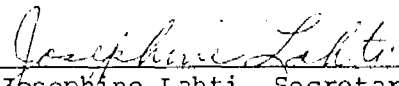
The loan officer works with loan applications.

Rep. Dassinger asked if the state could build dams with some of this money.
It was not known if it could or not.

The committee adjourned at 11:45 a.m.



REP. HERB HUENNEKENS, CHAIRMAN



Josephine Lahti, Secretary

There is a brief summary prepared by Teresa Cohea at the request of the Chairman, Rep. Herb Huennekens, comparing bills in the House and Senate concerning allocation of coal tax funds, which is attached.

TAXATION COMMITTEE
45TH LEGISLATURE

Rep. Herb Huennekens, Chairman, called the Taxation Committee to order at 9:00 a.m., April 8, 1977, in room #434, Capitol Building, Helena. All members were present except Reps. Severson and Fagg. Senate Bills 44 and 193 were to be considered.

Rep. Dassinger moved that SENATE BILL 44 Be Concurred In.

Rep. Waldron moved that SB 44 be amended (amendments are incorporated in the attached copy). This motion carried with 13 voting Yes, Fabrega voting No, and Reps. Fagg, Lien and Severson were absent.

There was a great deal of discussion regarding the division of this coal trust fund money. MHD Institute and the Montana Energy Research and Development Institute receive federal grants amounting to \$50 million dollars. Money for the Renewable Resource Development Company is by loan through bonds backed up by the coal tax fund.

Rep. Dassinger moved that the deleted language on page 2, section 1, lines 17 and 18 be reinserted; and following DETERMINE strike the balance of lines 18 and 19. Motion carried unanimously. Reps. Severson, Fagg, and Fabrega were absent.

Rep. Lien moved to take 1% out of the coal area highway share and transfer it back to the county for general use. This is accomplished on page 2, line 15 following MINED. Motion carried unanimously.

SENATE BILL 44 AS AMENDED BE CONCURRED IN under Rep. Dassinger's motion was adopted unanimously. Reps. Severson and Fagg were absent.

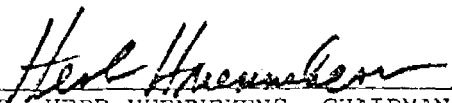
SENATE BILL 193. Rep. Dassinger moved SB 193 Not Be Concurred In.

Rep. Fabrega moved that SB 193 Be Concurred In as a substitute motion. This bill is quite inequitable. Revenue from it would go to Helena, and be reallocated to each county. There was the question of what effect inflation would have on the value of automobiles. A flat fee would remain the same while a tax could be changed to suit needs and situations.

Rep. Fabrega moved that the committee accept the amendments for automobiles, trailers, motorcycles offered by the DOR. Motion carried unanimously. Reps. Uhde, Severson, Fagg were absent.

A roll call vote was taken on Rep. Fabrega's motion of Be Concurred In. This motion failed by a 9-6 vote. So SENATE BILL 193 will be recommended NOT BE CONCURRED IN. Reps. Fagg and Severson were absent.

Committee adjourned at 10:30 a.m.


REP. HERB HUENNEKENS, CHAIRMAN

SENATE BILL NO. 44

INTRODUCED BY MANNING, MATHERS, TOWE, ABER

(COAL TAX OVERSIGHT COMMITTEE BILL)

A BILL FOR AN ACT ENTITLED: "AN ACT TO BRING THE COAL TAX DISTRIBUTION FORMULA INTO COMPLIANCE WITH THE MONTANA CONSTITUTION AS AMENDED IN 1976 BY CREATING A TRUST FUND; REVISING THE PERCENTAGES DISTRIBUTED TO LOCAL GOVERNMENTS AND STATE PROGRAMS AND THE PROGRAMS FUNDED THEREUNDER; AMENDING SECTIONS 50-1803, ~~50-1804~~, 50-1806, ~~79-309~~, 82-3710, ~~AND~~ 84-1319, ~~AND 89-3607~~, R.C.M. 1947."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 84-1319, R.C.M. 1947, is amended to read as follows:

"84-1319. Disposal of ~~license~~ or severance taxes. ~~License~~ Severance taxes collected under the provisions of this chapter ~~or such sections as may enact a~~ severance tax on coal in 1975 are allocated as follows:

(1) ~~To the county for such purposes as the governing body of that county may determine from which coal was mined for each calendar year prior to January 1, 1988, three cents (3%) per ton or four per cent (4%) of the severance tax paid on the coal mined in that county, whichever is higher, and for each calendar year following December 31, 1979, three~~

~~cents (3%) per ton or three and one-half per cent (3 1/2%) of the severance tax paid on the coal mined in that county, whichever is higher. To the trust fund created by Article IX, section 5, of the Montana constitution, 25% of total collections a year. After December 31, 1979, 50% of coal severance tax collections are allocated to this trust fund. The trust fund moneys shall be deposited in an account in the trust and legacy fund THE FUND ESTABLISHED UNDER 79-309(5) and invested by the board of investments as provided by law.~~

(2) Coal severance tax collections remaining after allocation to the trust fund under subsection (1) are allocated in the following percentages of the remaining balance:

(A) TO THE COUNTY IN WHICH COAL IS MINED, ~~1%~~ 2% OF THE SEVERANCE TAX PAID ON THE COAL MINED IN THAT COUNTY UNTIL JANUARY 1, 1980, FOR SUCH PURPOSES AS THE GOVERNING BODY OF THE COUNTY MAY DETERMINE MAINTENANCE AND CONSTRUCTION OF HIGHWAYS, ROADS, STREETS, OR ALLEYS SUCH PURPOSES AS THE GOVERNING BODY OF THE COUNTY MAY DETERMINE.

(2) ~~(B) Two and one-half per cent (2 1/2%) of total collections per year until December 31, 1979, and thereafter four per cent (4%) of total collections per year 5% to the~~ earmarked revenue fund, to the credit of the alternative energy research development and demonstration account.

1 ~~(3)(b)(C)~~ Twenty-seven-and-one-half-per-cent--(27 1/2%)
 2 ~~27-1/2%~~ 26 1/2% of-total-collections-per-year, until July 1,
 3 1979, and thereafter thirty-five-per-cent-(35%), ~~37 1/2%~~ to
 4 the earmarked revenue fund to the credit of the local impact
 5 and education trust fund account;

6 ~~(4)(c)(D)~~ For for each of the four-~~(4)~~ 2 fiscal years
 7 following the-effective-date-of-this-act June 30, 1977, ten
 8 per-cent-(10%) of-total-collections-per-year ~~13% 12% 13%~~ to
 9 the earmarked revenue fund to the credit of the coal area
 10 highway improvement account;

11 ~~(5)(d)(E)~~ Ten-per-cent-(10%) of-total-collections--per
 12 year to the earmarked revenue fund, for state equalization
 13 aid to public schools of the state;

14 ~~(6)(e)(F)~~ For-the-period-ending-December-31-,1979-,one
 15 per-cent-(1%) of-total-collections-per-year ~~2% 1%~~ to the
 16 earmarked revenue fund, to the credit of the county land
 17 planning account;

18 ~~(7)(f)(G)~~ Two-and-one-half-per-cent-(2 1/2%) of--total
 19 collections--per-year, to the sinking fund, to-the-credit-of
 20 ~~AND THE EARMARKED REVENUE FUND TO BE ALLOCATED BETWEEN TO~~
 21 ~~THE CREDIT OF~~ the renewable resource development bond
 22 account ~~AND--THE--COAL--UTILIZATION--RESEARCH--ACCOUNT--AS~~
 23 ~~PRESCRIBED BY 89-3607.~~

24 ~~(8)(g)(H)~~ Two--and-one-half-per-cent-(2 1/2%) of-total
 25 collections-per-year through June 30, 1979, of which portion

1 one-half ~~(1/2)~~ shall be allocated to the earmarked revenue
 2 fund, for the purpose of acquisition,--~~OPERATION,--OR~~
 3 ~~MAINTENANCE~~ of sites and areas described in section 62-304,
 4 ~~AND THE OPERATION AND MAINTENANCE OF SITES SO ACQUIRED,~~
 5 subject to legislative appropriations, and one-half ~~(1/2)~~
 6 shall be allocated to the trust-and-legacy ~~EARMARKED REVENUE~~
 7 ~~FUND, TO BE INVESTED IN A TRUST~~ fund, for the purpose of
 8 parks acquisition ~~OR MANAGEMENT~~. After June 30, 1979, five
 9 per-cent--(5%)--of--total--collections--per--year shall be
 10 allocated to the trust and-legacy fund, for the purpose of
 11 parks acquisition ~~OR MANAGEMENT~~. Income from the fund
 12 established in this subsection ~~(g)~~ (H) may be appropriated
 13 for the acquisition,--~~OPERATION--OR--MAINTENANCE~~ of sites and
 14 areas described in section 62-304, ~~AND THE OPERATION AND~~
 15 ~~MAINTENANCE OF SITES SO ACQUIRED.~~

16 ~~(9)--To--the--earmarked--revenue--fund,--such--portions--of~~
 17 ~~the--severance--tax--as--may--be--authorized--by--laws--enacted--in~~
 18 ~~1975.~~

19 ~~(10)(h)(I)~~ ~~At~~ all other revenues from ~~license--or~~
 20 severance taxes collected under the provisions of this
 21 chapter shall be deposited to the credit of the general fund
 22 of the state."

23 Section 2. Section 50-1803, R.C.M. 1947, is amended to
 24 read as follows:

25 "50-1803. Coal area highway reconstruction program.

(1) There is appropriated to the department of highways for each of the ~~four-4~~ fiscal years following the-effective ~~date-of-this-act July 1, 1975,~~ all the funds in the coal area highway improvement account for carrying out the programs authorized by this section. Any funds thus appropriated and not expended before June 30, 1979, may, notwithstanding the provisions of 79-1015.3, be expended or encumbered to carry out this section until June 30, 1981.

(2) The department of highways, within the area designated as the eastern Montana coal field economic growth center as certified to the secretary of transportation by the governor under section 143, Title 23, United States Code, shall prepare a special construction program for the reconstruction of deficient sections of these highways.

(3) The department of highways shall expedite the planning and reconstruction program for projects on the designated portions within this area by using funds allocated under this subsection and any federal funds that may be made available to match such funds; until federal funds are made available to match the funds allocated under this subsection the department of highways may, upon approval of the Montana state highway commission, expend such funds for planning and reconstruction projects with or without assurance from the federal government that unmatched state expenditures will be retroactively recognized for

matching purposes.

(4) Funds allocated under this subsection shall not be used to match apportionments made for primary and secondary highways under the ~~Federal--Aid~~ Federal-Aid Highway Acts; however, nothing in this subsection should be construed to prohibit the implementation of projects otherwise funded by apportionments made under the ~~Federal--Aid~~ Federal-Aid Highway Acts; furthermore, planning and reconstruction projects may be financed in whole or in part by public and private funds provided such projects conform to the applicable standards, regulations, and procedures of the department of highways and the federal highway administration."

Section 3. Section 50-1806, R.C.M. 1947, is amended to read as follows:

"50-1806. Coal board -- general powers. The board may:

(1) retain professional consultants and advisors;

(2) adopt rules governing its proceedings;

(3) consider applications for grants from the local impact and education trust fund account; and

(4) award grants, subject to ~~section~~ 50-1807, not to exceed in any one year seven-elevenths ~~(7/11)~~, and after June 30, 1979, ~~three-sevenths-(3/7)~~ seven-fifteenths of the revenue paid into the local impact and education trust fund account, to local governmental units and state agencies to

assist local governmental units in meeting the local impact of coal development by enabling them to adequately provide governmental services and facilities which are needed as a direct consequence of coal development. As used in the preceding sentence, "revenue paid" does not include interest income from the account reinvested in the account in trust for the public schools and the university system. Such grants shall be awarded on the basis of (a) need, (b) degree of severity of impact from the coal development, (c) availability of funds, and (d) degree of local effort in meeting these needs. The board shall formulate guidelines to evaluate degree of local effort, considering bond issues and millage levels. To the extent funds are needed to evaluate and plan for the impact needs caused by coal development, consideration of bond issues and millage levies may be waived."

Section 4. Section 82-3710, R.C.M. 1947, is amended to read as follows:

"82-3710. County land planning assistance. (1) The department of community affairs shall annually distribute to ~~all the counties in the state~~ the funds in appropriated from the county land planning accounts as follows: ~~The funds shall be apportioned forty percent (40%) on the ratio of each county's portion of the total land area of the state and sixty percent (60%) on the ratio of each county's~~

~~portion of the total population of the state.~~

~~(a) One third of the funds shall be distributed to city or county governing bodies or local planning agencies to support local planning efforts according to criteria established by the department. These criteria shall at least relate to the magnitude of local planning needs, the unavailability of local funds for planning programs, the potential beneficial impact of the proposed planning program, the willingness of local authorities to conduct and continue a planning program and the availability of the technical and administrative skills necessary to carry out the planning program.~~

~~(b) From two thirds of the funds each EACH county shall be allotted \$3,000. After this disbursement has been made, 40% of the balance in the account shall be apportioned to the counties according to the ratio of each county's land area to the total land area of the state, and 60% of the balance shall be apportioned to the counties according to each county's portion of the total population of the state. If a multi-jurisdictional planning board has been established in the county it may receive and expend part or all of the funds allocated to that county.~~

(2) Counties, cities, or joint planning boards receiving funds under this section shall use such funds for the land planning purposes of making inventories of land

~~categories within their boundaries and of classifying lands for taxation and planning programs.~~

~~(3) There is appropriated to the department of community affairs for the purposes of this section all the funds in the county land planning account for the biennium ending June 30, 1977.~~

~~(4) (3) At the end of each fiscal year the every local governing body of the affected county and planning agency receiving funds under this section shall provide an accounting of how the moneys were spent in a form acceptable to the department of community affairs. Any surplus of prorated funds shall revert to the education trust fund account."~~

SECTION 5. THERE IS A NEW R.C.M. SECTION THAT READS AS FOLLOWS:

Coal tax oversight committee continued. The select committee established by section 15, chapter 502, Laws of 1975, is continued for the biennium ending June 30, 1979, and is directed to report its recommendation to the 46th legislature.

SECTION 6. SECTION 50-1804, R.C.M. 1947, IS AMENDED TO READ AS FOLLOWS:

"50-1804. Coal board established -- composition. (1) There is a coal board composed of seven-(7) members.

(2) The coal board is allocated to the department of

community affairs for administrative purposes only as prescribed in section 82A-108.

(3) The members of the coal board are selected as follows: The governor shall appoint a seven-(7) member coal board, as provided under 82A-112, two-(2) from the impact areas and two-(2) with expertise in education. The governor shall further, in making these appointments, consider people from these fields: business, engineering, public administration and planning. No more than four-(4) members may be residents of the same congressional district."

SECTION 7. SECTION 79-309, R.C.M. 1947, IS AMENDED TO READ AS FOLLOWS:

"79-309. Investment funds. For each treasury fund account into which state funds are segregated by the department of administration pursuant to section 79-413, individual transactions and totals of all investments shall be separately recorded to the extent directed by the department. However, the securities purchased and cash on hand for all treasury fund accounts not otherwise specifically designated by law or by the provisions of a gift, donation, grant, legacy, bequest or devise from which the fund account originates to be invested shall be pooled in an account to be designated "Treasury Cash Account" and placed in one of the investment funds designated below. The share of the income for this account shall be credited to

1 the general fund. If within the list hereinafter of separate
2 investment funds, more than one investment fund is included
3 which may be held jointly with others under the same
4 separate listing, all investments purchased for that
5 separate investment fund shall be held jointly for all the
6 accounts participating therein, which shall share all
7 capital gains and losses and income pro rata. Separate
8 investment funds shall be maintained as follows:

9 (1) the trust and legacy fund, including all public
10 school funds and funds of the Montana university system and
11 other state institutions of learning referred to in sections
12 2 and 10, article X, of the 1972 Montana constitution, and
13 all money referred to in section 79-410 (8);

14 (2) a separate investment fund, which may not be held
15 jointly with other funds, for money pertaining to each
16 retirement or insurance system now or hereafter maintained
17 by the state, including those now maintained under the
18 following statutes:

19 (a) the highway patrolmen's retirement system
20 described in title 31, chapter 2;

21 (b) the public employees' retirement system described
22 in title 68;

23 (c) the game wardens' retirement system described in
24 title 68, chapter 14;

25 (d) the teachers' retirement system described in title

1 75, chapter 62; and

2 (e) the industrial accident insurance program
3 described in title 92, chapter 11;

4 (3) a pooled investment fund, including all other
5 accounts within the treasury fund structure established by
6 section 79-410; *

7 (4) a fund consisting of gifts, donations, grants,
8 legacies, bequests, devises and other contributions made or
9 given for a specific purpose or under conditions expressed
10 in the gift, donation, grant, legacy, bequest, devise or
11 contribution on the part of the state of Montana to be
12 observed. If such gift, donation, grant, legacy, bequest,
13 devise, or contribution permits investment, and is not
14 otherwise restricted by its terms, it may be treated jointly
15 with other such gifts, donations, grants, legacies,
16 bequests, devises, or contributions; and

17 (5) a fund consisting of coal severance taxes
18 allocated thereto under section 5, article IX of the Montana
19 constitution. The principal of this trust fund shall be
20 permanent and invested in the permissible investments
21 enumerated in 79-310. In the event the legislature
22 appropriates any part of the principal of this fund by vote
23 of three-fourths of the members of each house, such
24 liquidation may create a gain or loss in the principal; and

25 ~~(5)(6)~~ such additional investment funds as may be

1 expressly required by law, or may be determined by the board
2 of investments to be necessary to fulfill fiduciary
3 responsibilities of the state with respect to funds from a
4 particular source."

5 ~~SECTION 8. THERE IS A NEW R.C.M. SECTION NUMBERED~~
6 ~~89-3604.1 THAT READS AS FOLLOWS:~~

7 ~~89-3604.1. Grants for coal utilization research. (1)~~
8 ~~The department of natural resources and conservation may~~
9 ~~make grants to persons, as defined in 84-7408, to assist~~
10 ~~them in the research, development, or demonstration of more~~
11 ~~efficient alternative forms of coal conversion. These more~~
12 ~~efficient forms are defined as the conversion of coal into~~
13 ~~forms of energy OR PRODUCTS useful to mankind through~~
14 ~~technology proposed to convert coal more efficiently than~~
15 ~~the technology in general commercial use. Such research,~~
16 ~~development, or demonstration are public purposes,~~
17 ~~furthering the policy of the state of Montana which favors~~
18 ~~conservation of the coal resource through its most efficient~~
19 ~~utilizations.~~

20 ~~(2) In administering this section the department shall~~
21 ~~follow the criteria for grant awards set forth in 84-7412~~
22 ~~and may exercise the powers vested in it under 84-7418 and~~
23 ~~84-7411, or those sections as they may be amended or~~
24 ~~renumbered.~~

25 SECTION 8. SECTION 89-3607, R.C.M. 1947, IS AMENDED TO

1 READ AS FOLLOWS:

2 *89-3607. Sinking fund account ~~coal utilization~~
3 ~~research account.~~ (1) The state may by enactment of the
4 legislature or the people levy, impose, assess, and pledge
5 and appropriate to the sinking fund account any tax, charge,
6 fee, rental or other income from any designated source. The
7 state reserves the right to modify from time to time the
8 nature and amount of special taxes and other revenues
9 pledged and appropriated to the sinking fund account,
10 provided that the aggregate resources so pledged and
11 appropriated are determined by the legislature to be
12 sufficient for the prompt and full payment of the principal
13 of and interest and redemption premiums when due on all
14 bonds payable from that account, and provided that the
15 pledge of the full faith and credit and taxing powers of the
16 state for the security of all such bonds shall be and remain
17 irrevocable until they are fully paid.

18 (2) Money in the sinking fund account shall be used
19 first to pay interest, principal and redemption premiums
20 when due and payable with respect to renewable resource
21 development bonds; second to accumulate a reserve for the
22 further security of such payments, to the amount required
23 each month to meet those payments due within ~~twelve~~ (12)
24 months thereafter; and third to restore the reserve to this
25 amount after each payment.

1 (3) After the reserve provided for in subsection (2)
 2 above is in the sinking fund, money at any time received in
 3 the sinking fund in excess of that amount shall be
 4 transferred by the treasurer to the clearance fund account.
 5 If the balance at any time on hand in the sinking fund is
 6 not sufficient for compliance with subsection (2), and is
 7 not restored to the required amount within ~~three~~ (3) months
 8 thereafter, from funds specifically pledged and appropriated
 9 to the sinking fund account, the treasurer shall transfer
 10 thereto from the general fund an amount sufficient to
 11 restore the required balance.

12 (4) The state pledges and appropriates and directs to
 13 be credited to the sinking fund account as received ~~two and~~
 14 ~~one-half percent (2-1/2%)~~ ~~1-1/2%~~ 2 1/2% of all money from
 15 time to time received from the collection of the ~~strip-coal~~
 16 ~~mines-license-tax payable under the provisions of section~~
 17 ~~84-1302, or the equivalent provision of any~~ severance tax
 18 ~~enacted in lieu of such license tax, and remaining after~~
 19 allocation of such tax to the trust fund established under
 20 section 5, article IX of the Montana constitution and such
 21 additional amount thereof, if any, as may be required from
 22 time to time to provide sufficient funds for the purposes
 23 stated in subsection (2) above; provided that no more than
 24 ~~two and one-half percent (2-1/2%)~~ ~~1-1/2%~~ 2 1/2% of such tax
 25 collections shall be deemed to be pledged for the purpose of

1 section 89-3606, subsection (3).

2 ~~(5) There is a coal utilization research account~~
 3 ~~within the earmarked revenue fund. Moneys paid into this~~
 4 ~~account consist of 1% of the coal severance tax collected~~
 5 ~~each quarter and remaining after allocation of such tax to~~
 6 ~~the trust fund established under section 5, article IX of~~
 7 ~~the Montana constitution. Moneys in this account may be~~
 8 ~~appropriated for the purposes specified in 89-3604.1.~~

-End-